

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6492

BILL NUMBER: HB 1241

NOTE PREPARED: Dec 14, 2007

BILL AMENDED:

SUBJECT: Lottery Advertising.

FIRST AUTHOR: Rep. Harris T

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: The bill restricts the hours for radio and television Lottery advertising. It also restricts signs and displays promoting the Lottery to the premises of Lottery retailers.

Effective Date: July 1, 2008.

Explanation of State Expenditures: *Summary* - The restrictions established by the bill could potentially reduce advertising and promotion expenditures by the Hoosier Lottery, but the precise spending impact is unknown. Advertising and promotion expenditures by the Hoosier Lottery since FY 2002 are reported in the table below.

Fiscal Year	Expenditures
2006	\$8.8 M
2005	\$10.1 M
2004	\$9.5 M
2003	\$10.3 M
2002	\$10.0 M

Background Information - The bill places two restrictions on advertising and promotion of the Hoosier

Lottery. The bill restricts radio and television advertising of the Hoosier Lottery to times between 11 p.m. and 8 a.m.; and prohibits placement of promotional signs and displays at any location other than the premises of lottery retailers. The bill specifies that the restrictions apply to any contract the Hoosier Lottery enters into after June 30, 2007, for advertising and promotion.

Explanation of State Revenues: *Summary* - The precise impact of the advertising and promotion restrictions on Hoosier Lottery sales is indeterminable. The restrictions could potentially have a negative effect on Hoosier Lottery sales by impeding the dissemination of game and jackpot information to potential consumers. If the advertising and promotion restrictions reduce Hoosier Lottery sales, it likely would reduce annual Lottery transfers to the Build Indiana Fund (BIF). This, in turn, would increase Riverboat Wagering Tax transfers from the Property Tax Replacement Fund to the BIF.

Background Information - Resources Available to BIF: The Build Indiana Fund (BIF) receives funds from two sources: (1) surplus Lottery revenue and (2) revenues from gaming taxes and pari-mutuel taxes. Under current statute, surplus Lottery revenue in the Lottery Commission's Administrative Trust Fund is first transferred to the Teachers' Retirement Fund (TRF) and the Pension Relief Fund (PRF). Once these transfers are made, the remaining surplus Lottery revenue is distributed to BIF.

Current statute also requires distribution of revenue from the Riverboat Wagering Tax, the Pari-mutuel Wagering Tax, the Pari-mutuel Satellite Facility Tax, the Charity Gaming Excise Tax, and the Charity Gaming License Fee to BIF. The total annual distribution to BIF from Lottery, gaming, and pari-mutuel sources is effectively capped at \$250 M. This is because the annual distribution of Riverboat Wagering Tax revenue is limited to an amount equal to \$250 M minus the sum of the surplus Lottery revenue and revenue from other gaming and pari-mutuel taxes distributed to BIF during that fiscal year. The required amount of Riverboat Wagering Tax is transferred to BIF from the Property Tax Replacement Fund (PTRF) at the end of the fiscal year.

Distributions from BIF: Under current statute, \$236.2 M annually must be transferred from BIF to the Motor Vehicle Excise Tax Replacement Account (MVETRA) within the state General Fund. Money remaining in BIF after the MVETRA transfer is available for state and local capital projects. It is estimated that \$42.4 M could potentially be available for state and local capital projects in FY 2008, assuming surplus Lottery revenue is equal to the three-year average performance from FY 2005 to FY 2007. P. L. 234-2007 (the biennial budget bill) appropriates approximately \$20.9 M from BIF during the 2007-2009 biennium for specific state and local projects. If half of this appropriation amount is allotted in FY 2008, the balance remaining would total approximately \$31.9 M. If all of this appropriation amount is allotted in FY 2008, the balance remaining would total approximately \$21.5 M. The table below contains actual BIF revenue and spending totals for FY 2005 to FY 2007, with a projection for FY 2008.

Surplus Lottery and Gaming Revenue & Distributions (Millions)*				
Revenues & Distributions	FY 2005 (Actual)	FY 2006 (Actual)	FY 2007 (Actual)	FY 2008 (Projected)
Beginning Balance in BIF**	6.3	10.5	19.6	28.6
Surplus Lottery Revenue in Adm. Trust Fund	189.7	209.9	210.9	203.5
TRF Transfer	(30.0)	(30.0)	(30.0)	(30.0)
PRF Transfer	(30.0)	(30.0)	(30.0)	(30.0)
Surplus Lottery Revenue to BIF	129.7	149.9	150.9	143.5
Surplus Gaming Revenue to BIF	120.2	100.1	99.1	106.5
Interest	0.0	0.0	0.0	0.0
Transfers to BIF^	0.2	0.0	0.0	0.0
Total Resources in BIF^^	256.5	260.5	269.6	278.6
MVETRA Transfer	(236.2)	(236.2)	(236.2)	(236.2)
Total Transfers	(236.2)	(236.2)	(236.2)	(236.2)
Amount Available for State & Local Capital Projects	20.3	24.3	33.4	42.4
Amount Allotted to State & Local Capital Projects*^	9.8	4.8	4.8	
*Updated 10/3/07. FY 2008 projected lottery surplus is based on the three-year average from FY 2005 to FY 2007. **FY 2006 amounts available and allotted for capital projects do not sum to the FY 2007 beginning balance due to rounding. ^FY 2005 amount from loan repayments. ^^FY 2005 individual resources amount does not sum to the total resources amount due to rounding. *^Actual totals for FY 2005-FY 2007.				

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Hoosier Lottery.

Local Agencies Affected:

Information Sources: Hoosier Lottery Annual Reports: 2003-2006. Randhir Jha, State Budget Agency, (317) 232-2971; Auditor of State Revenue Trial Balance..

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